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SUBJECT: WHAT'S RUINING FISHING AND WHY LEGAL CATCH DOESN'T PAY

REF: VLADIVOSTOK 082

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¶1. Summary. Industry experts gathered in Vladivostok for the 2008 Fishery Congress to discuss problems facing Russia's fishing industry. Participants outlined several problems which include an obsolete fleet, confusing regulations, lack of processing facilities, and dwindling fisheries. An ever-worsening situation has resulted in a decline in total official catch for Russian boats of 56 percent over the two past decades.

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New Conference, New Promises  
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¶2. Fishing industry experts gathered for the Fifth Annual Fisheries Congress in Vladivostok September 3-5 to discuss strategies for sustainable development of the industry. Speakers and participants focused on protecting marine resources, combating illegal fishing, and promoting and marketing sustainable fishing practices. Many participants commented that little follow-up was made on issues raised at last year's congress, and that federal officials followed through on few of the promises made in earlier years. They also noted that participation by foreigners was down this year. The main problems the industry faces are outlined below.

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Rusty Old Ships  
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¶3. Russia's fishing fleet is woefully outdated. Most vessels are over twenty years old and not equipped with modern navigation and tracking technologies, and are therefore unable to fish extensively in international waters. Most banks are unwilling to finance fleet modernization, as they consider the industry to too big a financial risk with boats being movable assets that can easily disappear to North Korea or elsewhere. Though the government has acknowledged the credit problem, it has thus far refrained from taking action to provide alternative sources of funding. In addition, the inefficient old fleet results in increased fuel consumption. Fishermen at the conference stated that fuel now amounts to 30 percent of the cost of their catch.

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Dwindling Fisheries and Poaching  
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¶4. Poaching remains a serious problem. Illegal fishing of protected species, unlicensed foreign boats in Russian waters, and catches exceeding quotas continue to deplete fisheries and seriously impact legitimate fishermen. Although Russia banned

the export of live crab in May 2007, large amounts continue to be smuggled out of the country, primarily to Japan, South Korea and China. More than 30,000 tons of crab were taken from Russian waters during the first half of the year and sold to Asian markets. The amount is already triple the legal quota for the year. Experts at the conference estimated that at least 30 fishing boats continue to regularly poach crab in the waters of the Russian Far East, most of which are Cambodian-flagged with Russian crews. Vladimir Belyaev, a representative of the Federal Fisheries Agency in Moscow, noted that, so far, the Japanese and South Korean governments are reluctant to cooperate in preventing illegal fishing, and refuse to share information regarding the quantities of crab and fish delivered by poachers.

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Lack of Processing Facilities  
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15. Russia lacks fish processing facilities, which reduces the potential for adding value to the fish caught. It is hardly in a fishing boat captain's interest to haul his catch back to Kamchatka or Sakhalin when he could take it directly to processing plants in China, Japan, or Korea. Currently, exports of fish that actually make it back to Russian shores are in the form of unprocessed frozen fish. During the Soviet era the government operated both on-shore fish processing facilities and maintained giant processing ships offshore.

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New Regulations that Beg to Be Abused  
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16. Russian-flagged boats are now required by law to bring their catch back to Russian ports for inspection. The rule was designed to bolster the local fish processing business and provide tax revenue. In practice, however, the system remains so complicated that it almost begs to be abused. High port and

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customs dues coupled and excessive controls at Russia's fishing ports simply encourage boats to go directly to foreign ports where they are welcome to sell their catch. Even though Russian fishermen do pay customs duties to land their catch in Japanese or South Korean ports, overall costs remain significantly lower, and procedures take hours instead of days.

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"The Stupidity of Bureaucrats"  
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17. More than forty federal agencies regulate the fishing industry, often unpredictably, overstepping their mandates and issuing contradictory regulations. As one participant put it, "we need to fight more against the stupidity of bureaucrats than against poachers." For example, a bureaucratic disagreement over the interpretation of a new fishery law turned the 2008 Sea of Okhotsk pollock season into a disaster for many Far East fishing companies. The Northeastern Border Guard Directorate narrowly interpreted the new regulations and accused nearly all of the pollock fishermen in the area of poaching and other violations, detaining dozens of boats for weeks pending investigation and court decisions. The RFE Military Prosecutor's Office eventually stepped in and found the Directorate's actions inappropriate, ruling in favor of the fishermen. By then the season had been disrupted, companies were unable to meet their quotas, and they suffered heavy financial losses due both to lost productivity and un-refunded fines.

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GOR Response  
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18. Within the framework of a recently enacted national program, Moscow has pledged to allocate 62 billion rubles (2.5 billion USD) to support and encourage Russia's fishing industry. Thirty

percent of the program's budget will be allocated to the Russian Far East to build 27 new research and fishing vessels, fifty fish farms, and to expand fishing port facilities in Vladivostok, Petropavlovsk-Kamchatskiy, Nevelsk, and in a number of smaller towns. The GOR has also set up a fisheries protection program through 2020. Federal fish hatcheries in the Russian Far East are also meant to increase production and guard against precipitous declines in fish stocks.

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Comment  
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19. Prospects for the Russian fishing industry in the Far East remain less than promising, but the conference does bring together the right players and is a necessary forum that may eventually bring results. Greater participation by the US in the forum would be welcome and could contribute to the industry's success and could provide some opportunities for the American seafood industry. But, while officials annually discuss various big-picture reforms to improve the industry, they tend to avoid details and ignore the immediate needs of the industry, leaving the most pressing problems unresolved. Regulations, taxation, and a lack of subsidies make legitimate fishing unprofitable. The 62 billion rubles allocated to develop the industry is a negligible sum considering the significant problems which fishermen of the Russian Far East meet daily. As one participant at the conference candidly assessed, "catching legally earns you nothing."  
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